

HOUSE BILL NO. 2740
AMENDMENT IN THE NATURE OF A SUBSTITUTE
(Proposed by the House Committee on Finance
on _____)
(Patron Prior to Substitute—Delegate Lopez)

A BILL to amend the Code of Virginia by adding a section numbered 58.1-439.7:1, relating to tax credit; purchase of mobile asphalt recycling equipment for reprocessing existing asphalt materials from pavements and roadways; report.

Be it enacted by the General Assembly of Virginia:

10 1. That the Code of Virginia is amended by adding a section numbered 58.1-439.7:1 as follows:

11 § 58.1-439.7:1. *Tax credit for purchase of mobile asphalt recycling equipment for reprocessing existing*
12 *asphalt materials from pavements and roadways.*

13 *A. For purposes of this section:*

14 "Mobile asphalt recycling equipment" means machinery and equipment that is used primarily at the
15 location of construction to reclaim, recycle, or reprocess existing asphalt materials from pavements and
16 roadways in the Commonwealth and that has been certified by the Department of Environmental Quality as
17 being integral to the recycling process in the production of new pavement materials.

18 "*Purchase price*" means the original total capitalized cost of mobile asphalt recycling equipment less
19 capitalized interest.

20 *B. For taxable years beginning on and after January 1, 2025, but before January 1, 2027, a taxpayer*
21 *shall be allowed a nonrefundable credit against the tax imposed pursuant to Articles 2 (§ 58.1-320 et seq.)*
22 *and 10 (§ 58.1-400 et seq.) in an amount equal to 20 percent of the purchase price paid during the taxable*
23 *year for mobile asphalt recycling equipment. The taxpayer shall submit purchase receipts and invoices as*
24 *may be necessary to verify the purchase price paid with the income tax return.*

25 C. The amount of the credit that may be claimed in any single taxable year shall not exceed 40 percent of
26 the individual's liability for taxes imposed by this chapter for that taxable year. If the amount of the credit
27 allowed under this section exceeds 40 percent of such individual's tax liability for the taxable year in which
28 the mobile asphalt recycling equipment was purchased, the amount that exceeds 40 percent of the tax liability
29 may be carried over for credit against the income taxes of the individual in the next 10 taxable years or until
30 the total amount of the tax credit for such equipment has been taken, whichever is sooner. The aggregate

31 amount of credits allowable under this section shall not exceed \$3 million per taxable year. Credits shall be
32 allocated on a pro rata basis.

33 D. In the event a corporation converts to a partnership, limited liability company, or electing small
34 business corporation (S corporation), such business entity shall be entitled to any unused credits of the
35 corporation. Credits earned by a partnership, limited liability company, or electing small business corporatio
36 n (S corporation), or a predecessor corporation entitled to such credits, shall be allocated to the individual
37 partners, members, or shareholders, respectively, in proportion to their ownership or interest in such
38 business entities.

39 E. In certifying whether any mobile asphalt recycling equipment is integral to the asphalt recycling
40 process, the Department of Environmental Quality shall ensure that such equipment is used for the
41 production of new and recycled construction materials that are likely to result in an environmental benefit.
42 An environmental benefit shall be determined by comparing the performance of such equipment to similar
43 construction practices, such as any reduction in (i) reliance upon virgin materials to produce new asphalt
44 materials, (ii) trips to the production facility or project site, or (iii) greenhouse gas emissions as reported in
45 an environmental production declaration when available.

46 F. The Tax Commissioner shall develop guidelines for claiming the credit provided by this section. Such
47 guidelines shall be exempt from the provisions of the Administrative Process Act (§ 2.2-4000 et seq.).

48 **2. That the Department of Taxation, in consultation with the Department of Environmental Quality**
49 **and the Department of Transportation, shall submit a report to the Chairmen of the House Committee**
50 **on Finance and Senate Committee on Finance and Appropriations that includes the number of claims**
51 **for a credit pursuant to this act, an evaluation of the highway projects for which such credit was**
52 **claimed, and any impact that the use of mobile asphalt recycling equipment, as defined by this act, has**
53 **on environmental quality and pavement performance in the Commonwealth no later than December 1,**
54 **2026.**